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C O N F I D E N T I A L JERUSALEM 001686

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NEA FOR FRONT OFFICE, NSC FOR ABRAMS/DORAN/LOGGERFO, LONDON
PASS TO A/S WELCH AND D/NSA ABRAMS

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TAGS: [PREL](#) [PGOV](#) [KWBG](#) [KPAL](#) [KDEM](#) [IS](#)
SUBJECT: PECDAR HEAD MAKES PITCH FOR INTERNATIONAL
ASSISTANCE

REF: JERUSALEM 01644

Classified By: Consul General Jake Walles, per reasons 1.4 (b) and (d).

11. (C) Summary. During an April 24 meeting with the Consul General, former Palestinian Authority (PA) Minister of Public Works and Housing Mohammed Shtayyah criticized statements from Hamas leader Khaled Mishal, which he said reflected the inability of the Hamas-led PA to respond to the growing political and financial crisis. Shtayyah, as managing director of the Palestinian Economic Council for Development and Reconstruction (PECDAR), touted his organization's independence and appealed for more international assistance through PECDAR. He argued that PECDAR could manage a number of humanitarian projects while avoiding contact with the Hamas-led government. End summary.

Shtayyah: Mishal Statements
Underscore Government's Failures

12. (C) Commenting on Damascus-based Hamas leader Khaled Mishal's April 21 comments, Shtayyah noted that Mishal had sparked outrage among Fatah's cadres. Shtayyah said that Abu Mazen was correct not to overreact to Mishal's comments criticizing the PA President and Fatah (reftel). Shtayyah thought the comments from Damascus reflected Syrian influence over Hamas, the weakness of Hamas PM Haniyyah vis--vis the more hardline Hamas elements, and the failure of the Hamas-led government to effectively respond to its regional and international isolation. While he expressed hope that the Hamas-led government would collapse, Shtayyah said that any collapse should not occur as a result of Israeli or international interference. Shtayyah dismissed reports that Saudi Arabia and Qatar were preparing to deliver financial assistance to the PA in the amount of USD 90 million, adding that it was unlikely to find its way into PA coffers.

13. (C) Shtayyah said that a new dynamic is needed to address Palestinian needs such as alleviating poverty and sparking job creation. Palestinians are growing desperate for some positive developments. While Abu Mazen's political program represented the correct path toward ending international isolation, the presidential office is not the appropriate address to offset the current financial crisis. Shtayyah noted that Arab countries are ready to assist but unsure where to send their assistance.

Shtayyah: PECDAR
Can Bypass PA

14. (C) Shtayyah argued that PECDAR could bypass the PA

through its humanitarian assistance projects. PEC DAR was established in 1994 to support infrastructure, agricultural, and other development projects in Palestinian areas as the PA was still in the formative stage. Shtayyah explained that PEC DAR has strictly maintained its independence from the PA, including independent financial accounts and direct cooperation with local officials on its various projects. Shtayyah remarked that PEC DAR is currently working with 12 international donors, including several Gulf nations and the European Union.

15. (C) The Consul General explained that key international donors would meet in London to discuss new ways to provide humanitarian assistance directly to the Palestinian people. While U.S. assistance is limited to specific areas, other donors such as the EU could potentially play a wider role. He noted that the U.S. opposed donor assistance go to cover PA salaries, as this remained the sole obligation of the Hamas-led government. Moreover, the U.S. would not want to see projects implemented through PEC DAR if that involved coordination with PA ministries. The Consul General requested more information from Shtayyah on how PEC DAR maintains control over its various projects.

16. (C) Shtayyah reiterated that PEC DAR functioned without PA support or assistance. He described a hypothetical example of a water pipeline project to a Palestinian village: PEC DAR would apply for an Israeli permit to connect the village to the water source. Once that permit is acquired, PEC DAR could then proceed to implement the project through private contractors. When completed, the project would be handed over to local authorities, not the PA. Shtayyah said that similar methods could apply to road construction. Palestinian schools or health clinics, however, represented a different category, as these type of projects might require

some coordination with PA ministries.

WALLES